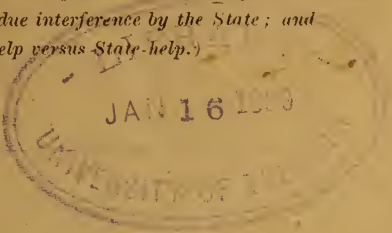


LIBERTY AND PROPERTY DEFENCE LEAGUE.

To uphold the principle of liberty, and guard the rights of labour and property of all kinds against undue interference by the State; and to encourage Self-help versus State-help.



UNIVERSITY OF TORONTO DUPL



OLD-AGE PENSIONS.

BY

GEOFFREY DRAGE,

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SECRETARY TO THE

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OLD-AGE PENSIONS.*

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THE present agitation with regard to old-age pensions seems to call for a somewhat fuller statement of the case.

The almost daily experience of the Labour Commission was that there already existed laws and officials to remedy the grievances laid before it, but the laws were not known and the officials not efficient. What seemed at every step to be necessary was not so much far-reaching plans of reform as a careful attention to the details of administration. In this pamphlet I desire to point out that as far as we can at present judge this is the case with the grievances of the aged poor.

Before dealing with the extent and causes of old-age pauperism in England, as well as the remedies which suggest themselves, it may be well to consider briefly the old-age pension schemes at present in force in Europe.

The German invalid and old-age insurance scheme is part of a comprehensive scheme of social insurance for the working classes. It was originally promoted by Prince Bismarck partly in deference to the prevalent feeling in Germany that something must be done, partly to take the wind out of the sails of the Socialists. The sick and accident insurance law was passed in 1883, the law on old-age and invalid insurance, with which we are concerned, was passed in 1889, and only came into force in 1891. The details of the law are probably well known to my readers, but, should they wish to refresh their memories, I may be, perhaps, allowed to refer them to my report to the Labour Commission on Germany, in which full particulars are given. I desire here merely to indicate the financial, social, economic, administrative, judicial, and political objections to the law, which can already be fairly urged as arguments against any similar plan for England.

Financially the scheme is eventually intended to be self-supporting, but there is no sign at present that it will ever be able to dispense with the State subsidy, which begins at £320,000 and is estimated to rise gradually to £3,450,000 in the 80th year. The premiums are levied half from the employer, half from the workman, and the calculations are based, as far as the portions of the law which refer to invalids are concerned, chiefly on the statistics of one industry—the railway industry. Further, in adjusting the amounts of the contributions, it was impossible to calculate with any precision the extent to which such contingencies as sickness, military service, and want of employment

* The substance of this pamphlet appeared in the form of two letters to the "Times," on January 7th and 15th, 1895.

might affect the regularity of the payments, and I may add that statistics as to the probable invalidity and mortality of women are wanting. Again, it was calculated that the administrative expenses would not materially increase, but they have already done so.

From a social standpoint it is to be remembered that some of the friendly societies already existing are recognized by the Government, subject to their conferring benefits equal to those of the law, and subject to certain other provisions. It is not yet clear what effect the law will have on societies not so privileged, but it is clear that the relations between employer and employed have not improved as was expected, nor have strikes diminished. Further, there is not yet sufficient evidence to warrant the statement that can be made with regard to Denmark, that the family tie and the sense of responsibility for blood relations have been weakened. But the law does a distinct injustice in partially excluding from its operation widows and married women, who notoriously in every country form a large percentage of the aged poor. It is true that a woman who ceases to earn wages on her marriage may receive back the amount of her previous contributions, but by so doing she forfeits all claim to a future pension in old age or invalidity; or if instead of receiving this sum she prefers to keep up her claim to a pension, it can only be at a higher rate of contribution. A widow again may, on the death of the husband, receive back the amount of his contribution, but a comparatively small lump sum of this nature cannot provide for her old age. Lastly, we have still to learn its effect in increasing or diminishing charity.

From an economic point of view, the burden on the employers is already everely felt. They not only complain of the sums they have to pay in premiums, which already apparently form a considerable tax on industry; but they declare that their clerical staff will not be able to do the work imposed on them in this connection, and they demand official help. In some cases the employers have even found themselves obliged to pay the men's premiums as well as those which they themselves are bound to pay in order to avoid stirring up dissatisfaction. Hitherto, it is stated, the employers have continued their contributions to existing friendly societies, but should they cease to do so, it appears that the men will absolutely be worse off under the existing law than they were before. In any case, the employer will probably not feel as much bound to help old servants as he did before, and there is evidence to show that wages have already been lowered in the case of those benefited by the Act, and the whole income has thus been actually reduced. The workmen and their friends complain that the age, 70, at which the old-age pension becomes due is too high, and the pensions, which vary from £5 6s. to £9 11s., are too low. Moreover, since no person is entitled to an old-age pension who has not insured for 30 years, or to an invalid pension unless insured for five years, there are numerous persons who are forced to pay the contributions but never derive any benefit under the law. The Socialists add that, whereas under

the Poor Law the expenses fell chiefly on the middle classes, the workmen now not only have to pay their contributions, but have also to bear the burden of the Imperial subsidy. Graver still are the following objections from an economic point of view to the law in question. The law rests, of course, in the first instance, on a passport system which is necessary for the identification of the beneficiaries, but which we should find intolerable in England. Further, in spite of the employment of a large number of honorary officials, the number of paid officials, both central and local, has been largely increased, and the cry is, as we have seen, still for more. The cards to which the stamps used in payment of the premiums are affixed have already required the erection of special buildings for their storage, and grave inconvenience has been caused by what seemed a simple method of utilizing the services of the Post Office in this connexion. It is worthy of note that no general decrease has been recorded in the cost of administering the Poor Law; at Cologne the expenses have actually increased; on the other hand, at Berlin a slight decrease has been notified.

From an administrative and judicial point of view, I will only briefly advert, first to the fact that the body of what is called administrative law, that is, the law which gives special privileges to officials, has increased, and then to the grave result that an immense number of applications under the law (60,000 up to July, 1893) have been refused. Under the old-age part of the schemes 245,013 persons applied, and 193,114 were recognized as admissable, 42,984 were refused absolutely. Naturally, this points to an increase of malingering and fraud, quite apart from the delay and vexation of appeals to higher Courts.

Politically, the measure was intended to be a message of peace, but from all parties in Germany come the same complaints as to the vexatious obligations of the law. My friend, Mr. Graham Brooks, records that, whereas the other social insurance laws were received with a strange lack of interest and no hint of gratitude and enthusiasm by the working classes, the apathy of the insured in the case of the old-age insurance scheme often becomes open and uncompromising dislike, especially in South Germany. The measure has been something in the nature of a political bribe, and a bribe which has failed. So far from contenting the Socialists, it has given them a fresh grievance.

If the German scheme of partial old-age pensions has been unsuccessful, the Danish scheme of complete old-age pensions in the form of out-door relief for destitution seems to have had even worse results.

No country had till recently done so much as Denmark to encourage thrift and self-help, but the Act which was passed in 1891 and came into force in 1892, providing for pensions to the deserving poor, is positively a premium on destitution. The details are probably well known to my readers. I have given them at length in my report to the Labour Commission on

Denmark. The scheme is practically a system of unlimited outdoor relief at the discretion of the guardians, half the expense being borne by the State. The results of the law are not so well known as they deserve to be. Early in 1894 complaints became rife that the benefit funds supported by the employers were being broken up, that the friendly societies were in difficulties, and, worse still, that the money in the savings banks was being drawn out and squandered. The ties between parents and children, as well as those between master and servant, had already been seriously weakened. To crown all, as a result of the system, wages were being reduced.

It may be too soon to judge of the eventual effect of either the German or the Danish scheme, but at present they appear to have done little, if any, good.

I will now deal with old-age pauperism in England and Wales, giving first some particulars as to the extent and causes of the present evils, and then dealing with the measures which are intended either to prevent or palliate those evils.

I may perhaps lay claim to some small personal experience in the matter, for, in addition to what slight information was laid before the Labour Commission on the subject, I am a member of some standing of the Manchester Unity of Oddfellows. I have known something of the administration of the Poor Law both in town and country, and I have analysed with great care the works of Mr. Booth and other English and foreign writers on the subject. Mr. Booth assures us that the number of aged persons in England and Wales in receipt of Poor-Law relief is not less than 30 per cent. of those above the age of 65, and, as the well-to-do classes must be subtracted, Mr. Chamberlain estimates that one person in $2\frac{1}{2}$ of the aged poor must be numbered among the pauper class. In the first place, I should like to point out that these statistics include persons in receipt of medical relief; and such relief is often given to persons far removed from pauperism and received by them as conveying no stigma. The Act of 1885 removed the disqualification which such relief up till then attached to voting for certain local government offices; but the number applying for such relief would in some unions equal the whole of the indoor and outdoor paupers.

A reduction of 50 per cent. has taken place in the number of paupers during the last 40 years, and that Mr. Chamberlain attributes to the stringent administration of the Poor Law and the great prosperity of the nation. He adds that the reduction has only taken place in the outdoor paupers. I venture to think that the immense growth of thrift, temperance, and education are important contributory causes, and further that there has been a substantial, though comparatively slight, diminution of the indoor and also of the aged pauper.

The causes of the evil may be divided into two classes—*(a)* Moral causes, in consequence of which the pauper has very largely to thank himself for his position; and *(b)* economic or social causes over which the pauper has no control.

It is with regard to the first that I venture with all respect

to differ from Mr. Chamberlain. I should be inclined to say that intemperance, want of thrift, and, most of all, want of backbone, are in a majority of cases the cause of destitution in old age.

The chief economic cause of old-age poverty is generally low wages, such as the casual labourer in towns or the agricultural labourer in the country receives. But Mr. Little's report to the Labour Commission showed that skilled agricultural labourers such as carters, receive on an average as much as 17s. 2d. in earnings, while ordinary labourers receive on an average 15s. 11d., and Mr. Little adds that, in purchasing, 16 shillings now is equivalent to a sovereign 20 years ago, as far as the necessaries of life are concerned. I feel that sufficient stress has not been generally laid on the short period over which the power of earning lasts for some workers, especially in the case of women; but for agricultural labourers this period is generally much more prolonged than in most other employments. Even when an agricultural labourer gets past earning full wages, he can often get employment at odd jobs in the country, and where he is known as a decent fellow an effort is very frequently made to provide him with such work as he can do. In other kinds of work the increased stress and rapidity of industrial occupations is much felt by the aged workers, and this adds to their difficulty in finding employment; while last, but not least, amongst the causes of old-age poverty there is the density of the population in towns.

In addition to the above there are certain local causes. Comfortable infirmaries, as in London, attract those who would not otherwise accept relief, and the action of the local clergy and landowners, as well as the local administration of the Poor Law, may contribute to swell or lessen the numbers of the aged poor. Last of all, unsound friendly societies naturally bring about widespread distress, and local doles have been known to pauperize a neighbourhood.

There being the causes, it is obvious that there is no panacea, and, what is more, there are two questions that present themselves—first, how to prevent the existence of the evil; and, second, how to alleviate the trouble which already exists. Under each of these heads we have to consider whether the action of State or of the individual is preferable, and whether in some cases the one should or should not supplement the other.

State remedies to prevent old-age poverty rest on the argument that many paupers could not help their poverty and should not be degraded by pauper relief. It is impossible for the State to investigate the question of merit; hence the question of desert cannot be raised. The State cannot apply the test of destitution, for if it waits till the poor are destitute they will already be under the stigma of pauperism. The State must, then, undertake to maintain all persons above a certain age. Mr. Charles Booth therefore proposes that all persons above 65 should receive 5s. a week from the State. Apart from the objection at once made that the age is too high and the sum paid too low to afford a solution, there are a number of more general obstacles to the scheme. In the first place the duty of the State to support all

its members has not yet been recognized, and involves a general scheme of State Socialism. The expense involved is so great that it would probably be difficult to find a statesman at present whether Socialist or not, to propose to set aside from 17 to 20 millions a year for the object. There is the moral difficulty of the discouragement of thrift, as well as the economic difficulty of the withdrawal of so much capital from use and its effect on wages. There is the disastrous effect which would probably be exercised, as we have seen in Denmark, on friendly societies and trade-union funds, quite apart from such practical questions as to whether the pensioners are to be allowed to go on earning wages. What, one may ask, is to prevent them spending the five shillings on a spree and returning to the poorhouse? Then there are the fundamental difficulties of administration and identification without a passport system, which we are not yet prepared to tolerate. All these have to be faced, quite apart from the fact that the whole plan is an experiment from which the State will not be able to recede.

To the State and Socialist methods are opposed the individual or self-help methods hitherto adopted of providing for old age out of former earnings, with the help of friendly societies, trade-unions, and savings banks. The system involves three things. First, the economic possibility of thrift—*i.e.*, the necessary margin between wages and necessary expenditure—which, except in the case of the casual and part of the agricultural labourers, is generally possible. Secondly, there must be the moral possibility of thrift—*i.e.*, self-control, forethought, self-denial, and what I have called “backbone.” It is here that education, temperance, and the sympathy of the upper classes can help. Lastly, there must be the external inducement to thrift of secure and advantageous investments.

There are already greater inducements than formerly, and thrift is an ever-increasing quantity; witness the growth of the friendly societies, building societies, co-operative societies, and trade-unions, which have now funds amounting in all to 100 millions sterling. Anything that strengthens or assists these societies is therefore a help. The friendly societies have funds amounting to 25 millions sterling. They began their work when the principles of insurance were not understood, and as the science has become better known they have manfully set to work to place their funds on a sound actuarial basis. I can see no reason why they should not succeed as well with the superannuation fund which they have just taken up. The problems they have already solved were far harder. They are in every way more fitted to deal with such questions than a State department could be. For instance, a fixed age for the commencement of the superannuation benefit is unpopular and undesirable; local considerations come in, and must be given due weight. A society might find itself able to make provision to grant to a man not likely to live long an earlier payment, acting on medical and actuarial advice, or the money might be made returnable to him. All these details about which, when they are the precedents of a vast

department, there is so much difficulty, can be much better solved in this way. Much can be learnt, too, from foreign attempts at old-age pensions, and it will probably be found desirable, *inter alia*, that sick pay should cease when the superannuation pay begins.

Special difficulties are (as Mr. Brabrook's and Mr. Ludlow's evidence before the Labour Commission showed) connected with trade union funds, which cannot well be kept separate for different purposes, the paramount object of these societies being to maintain the rate of wages if necessary at the cost of a strike. These difficulties are not, however, insuperable. Special provision might be made to meet them, and suggestions were made before the Labour Commission for further regulating friendly societies, and building societies especially, with a view to insuring their solvency.

The advantages of the individual system are immense. It is simple and economical; it is elastic. It is an education in the art of government to the working man. It makes considerable additions to the productive wealth of the country, and it has already proved itself an immense success.

The most important suggestion with regard to the assistance of the voluntary efforts by the State is one suggested by Mr. Chamberlain, which amounts to a system of State contributory pensions. Mr. Chamberlain has himself enumerated the objections which have been made to it. They seem to be much the same as those which we have seen to apply to the German system of insurance, which is compulsory, whereas Mr. Chamberlain's would be voluntary to the insured. There are, however, some objections which should be mentioned here. The scheme would not reach the poorest; it would be an unfair benefit to one class for which the whole country would be taxed. It is hard on societies not benefited by it. The benefits contemplated are not very great, while the fact of the age being fixed makes the scheme resemble a deferred annuity, which is unpopular with working men. In addition to these there are the administrative difficulties, which would be even greater in England than in Germany, as we have not got a trained bureaucracy, and our experience is that as soon as the bull's-eye of public opinion is turned off a department it is apt to become sluggish.

Near akin to the State contributory pension are the State subsidies for friendly societies, which have also been connected with Mr. Chamberlain's name. To these, perhaps, the chief objection is that they necessitate a State control, and this State control would probably be looked upon as a State guarantee. State subsidies are open to many of the objections mentioned above.

I have before alluded to Government annuities, which are not popular with the working man. They are said not to provide as good terms as the friendly societies; but that is reasonable, for the Government security entitles it to better terms than a private society could get.

Lastly, there are the Government savings banks, which, one would think, might play a greater part than they have done hitherto if better known.

None of the old-age pension schemes referred to above are expected by their supporters to remove old-age poverty in the next thirty or even fifty years, so we shall for some time to come have the aged poor with us, if indeed we shall not always have them. It remains to consider what we can do in detail now at once. There are two methods open to us—the adoption of the scheme now in force in Denmark, to which I need not now revert, and our own Poor Law, which I will proceed to explain.

The principle of the English Poor Law is that a man must not starve, that a pauper must receive only the necessaries of life, so as not to make him better off than the independent poor, and the life of the pauper must be accompanied by such drawbacks as to make it undesirable.

The harshness of such a law is, as Dr. Aschrott has well shown, not in the law itself, but in the administration. As a matter of fact, the guardians have an almost absolute discretion in the administration, and are able to remove almost all the abuses of which complaint has hitherto been made.

The objections to outdoor relief are well known; they led to the passing of the present Act in 1834. The guardians can, however, grant it if they think fit. The chief other objections which one hears made with regard to the Poor Law, especially in the country, are the harshness and dictatorial tone of the relieving officer, the routine life of the workhouse, the monotony of the diet, the confinement in the house or grounds, the want of privacy, and the association with unpleasant companions—all of which can be remedied by the action of the guardians. The whole question, in fact, of what is known as classification is in their hands; they can place the deserving paupers in separate cottages, and have, I believe, done so in some cases; and they can remedy one great and well-known grievance by the appointment of trained nurses.

Amongst the other grievances one hears mentioned are those connected with the maintenance of paupers by their relations, and the law of settlement. It seems only just that blood relations, such as parents, grandparents, and children, who alone are liable, should have such a responsibility, but the one undoubted grievance which requires an Act of Parliament is that relating to the law of settlement; it seems that the abolition of the power of removal of the destitute might be considered.

With regard to the officials, the overseers merely raise rates, but it is on the guardians, who are unpaid, and the paid officials, the relieving officers, masters, and matrons, that so much depends. When there is a strong chairman to the board it does not seem to matter much what the policy of the board is if it is systematically carried out and if sufficient attention is given to the numerous cases considered.

An attempt should undoubtedly be made to get better officials by higher salaries, and, above all, to enlist the services of women both as guardians and as relieving officers.

To sum up, I believe that a steady, sympathetic administration of the existing law, combined with minor legislative amendments and a more careful management of existing charities, endowed and unendowed, will do much to remedy the grievances complained of. Much can be done by the joint action of boards of guardians with such institutions as the Charity Organisation Society and the clergy. In fact, what is wanted here, as elsewhere, is not heroic legislation, but individual attention to the petty grievances of everyday life in the administration of the Poor Law, combined with a cordial recognition of what the working men have done to help themselves. It is by the resolute application of common-sense remedies to individual difficulties as they occur, and by the development of the spirit of local self-government as opposed to the action of any central department, that we shall successfully solve the social problem in so far as humanly speaking, it ever can be solved.

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